



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>8 September 2015</b>
<b>Classification:</b>	<b>Public</b>
<b>Title:</b>	<b>Investment Management Considerations</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report, although at the next investment opportunity, there will be a £5 million transfer to the property fund from equities</b>
<b>Report of:</b>	<b>Steven Mair</b> <i>City Treasurer</i> <a href="mailto:smair@westminster.gov.uk">smair@westminster.gov.uk</a> <b>020 7641 2904</b>

## 1. Executive Summary

- 1.1 This report provides upcoming considerations affecting the investment management and arrangements of the Pension Fund.

## 2. Recommendation

- 2.1 The Committee note the contents of this paper.
- 2.2 The Committee delegates the decision to draw down £5 million from LGIM for the investment to Hermes, to the City Treasurer, in consultation with the Chair of the Pension Fund Committee.
- 2.3 The Committee note the proposals relating to the retender of the Investment Adviser contract.

## 3. Hermes Reinvestment of Income

- 3.1 At the September 2014 meeting, it was reported that dividends from the Hermes Holding account had not been reinvested due to no standing

instruction in place, which had led to a cash balance of £5 million being accrued over a three year period that would now be reinvested.

- 3.2 At that time, officers subscribed a further £5 million to the investment queue with Hermes. The cash balance was then transferred to the Fund's Lloyds bank account and used to cover the cashflow requirements, removing the need to sell the Fund's assets.
- 3.3 In July 2015, officers were notified by Hermes that an investor ahead in the queue were unable to take their allocation and the units were to be offered to the Westminster Pension Fund. Due to the immediacy of a decision required (the same day) and the appropriate Committee approval not being in place to act on such a decision, officers declined to invest at that time. Hermes confirmed that this was not considered a formal request to drawdown so the Pension Fund is still allowed one rejection before having to reapply.
- 3.4 Hermes have since confirmed that there is approximately £90 million in the investment queue in front on the City of Westminster's £5 million application. It should be noted that applications are not binding and it is anticipated that not all applications in the queue would be drawn down, therefore Westminster could reach the top of the queue quicker than expected.
- 3.5 To enable officers to act promptly to a formal request to invest in future, it is proposed that the Committee delegate the decision to draw down £5 million from LGIM to the City Treasurer, in consultation with the Chair of the Pension Fund Committee.

#### **4. Investment Adviser Contract**

- 4.1 Deloitte provide investment advisory services relating to the WCC pension fund to the Committee.
- 4.2 At the July 2014 meeting, the Committee agreed to extend the existing contract until 31 March 2016 to align with the RBKC investment advisory contract. This enabled WCC to retender at the same time as RBKC.
- 4.3 Officers intend to carry out a bi borough procurement with RBKC of the investment advisory contract using the National LGPS Framework, as used by LBHF in their retender for the same service in December 2013. It is not proposed that the funds would have to appoint the same advisor.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**

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**BACKGROUND PAPERS:**       None